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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 001662

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SUBJECT: PRC/IRAN: HU-AHMADINEJAD MEETING; ELECTION  
TURMOIL; REPORT BY SCHOLAR COUNSELS CAUTION

Classified By: Acting Political Minister Counselor Mark Lambert.  
Reasons 1.4 (b/d).

¶1. (C) SUMMARY: An MFA official reported that President Hu Jintao told Iranian President Ahmadinejad on the margins of the SCO Summit that Iran needed to show flexibility, take advantage of the opportunity to engage with the United States, and help the international community oppose nuclear proliferation. Ahmadinejad reportedly replied that the nuclear issue should be dealt with solely in the context of the IAEA and that Iran would agree to direct talks with the United States so long as the U.S. dropped its position of seeking to contain Iran. Our contact stressed that China and the U.S. needed to be careful to avoid being seen as interfering, and in any case, the U.S. needed to continue to focus its outreach efforts on Supreme Leader Khamenei. In a separate meeting, an influential scholar recommended in a report to Chinese policy-makers that they keep their distance from Ahmadinejad, at least in public, given the potential for him to emerge from the current turmoil in a weakened position. The scholar said he was personally worried about the potential for friction between Ahmadinejad and the Revolutionary Guard leading to further political tumult, and reminded PRC leadership of the history of China's public support for the Shah and the backlash China faced after the 1979 Islamic revolution. As well as avoiding overt support for Ahmadinejad, he sought to remind the Chinese leadership that Mousavi was an "old friend of China." END SUMMARY.

Hu-Ahmadinejad Meeting  
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¶2. (C) PolOff discussed Iran-China relations, including the June 15 meeting between President Hu Jintao and Iranian President Ahmadinejad on the margins of the SCO Summit in Yekaterinburg, Russia, with Deputy Director Ni Ruchi of MFA's West Asian Affairs Department Iran Division June 18. Ni reported that the Hu-Ahmadinejad meeting was "very brief" because of Ahmadinejad's travel schedule. Ni said that in addition to discussion of bilateral issues, Hu reiterated the Chinese position on the nuclear issue, stressing Chinese opposition to proliferation and the need for Iran to demonstrate flexibility. Hu reportedly told the Iranian president to play a positive role in support of international non-proliferation efforts and urged Ahmadinejad to respond favorably to positive signals from the U.S side. Ahmadinejad reportedly replied with the now-familiar position that the nuclear issue should no longer be viewed as a UN issue, but dealt with solely in the context of the IAEA. Ahmadinejad reportedly noted positive rhetoric from the United States, and told President Hu that Iran would not refuse to engage with the U.S. in direct talks on the condition that the U.S. drop its position of seeking to contain Iran.

MFA: Approach Current Turmoil with Caution  
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¶3. (C) Ni said he believed that Ahmadinejad's foreign policy

approach was primarily motivated by his fear of U.S. intentions, but he was facing increasing internal pressure to make adjustments to his policy vis-a-vis the United States. Ni stressed that the election turmoil had demonstrated the internal struggle for power among the top levels of the Iranian leadership, a struggle that had spilled into the public sphere. He opined that internal pressure to improve relations with the U.S. was growing, along with criticism for Ahmadinejad policies on the U.S. and Israel. Ni had praise for the Obama administration's handling of the election thus far, noting that both China and the U.S. needed to be careful to avoid being seen as interfering. He opined that the outcome of the presidential election was of relatively little importance in any case given the structure of the Iranian political system, and that the U.S. needed to continue to focus its outreach efforts on Supreme Leader Khamenei. Ni added that the Supreme Leader accorded meetings with foreign leaders only to heads-of-state of Islamic countries and "special friends" of Iran, a category which included China. He said that China was paying close attention to former President Rafsanjani and his role in the unfolding election situation, stressing the importance of Rafsanjani and Khamenei reaching an accommodation over power and the need to avoid a public split between the two. Ni said that in the Chinese analysis, Iran continues to seek diplomatic recognition from the U.S. as its overarching goal.

#### Energy Cooperation Still Critical for China

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14. (C) On bilateral issues, Ni noted the continuing importance of energy cooperation for China to maintain its

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domestic economic development. While China opposed the use of U.S. law to sanction companies that engaged economically with Iran, Ni stressed that China wanted to find ways to avoid this becoming a problem. He added that China-Iran economic cooperation did not affect coordination with the international community on the nuclear issue, and that China had continued to urge Iran to respond positively to the freeze-for-freeze proposal.

#### Scholar: Beijing Should Distance Itself from Ahmadinejad

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15. (C) Yin Gang (strictly protect), a Middle East expert at the State-Council-affiliated Chinese Academy of Social Sciences (CASS), stated that the Chinese government tasked him to submit a report on the situation in Iran and provide recommendations for Chinese policy-makers. (Note: Although Yin declined to specify who had asked for the report, we note CASS' affiliation with the PRC State Council. End note.) Yin told PolOff June 17 that many uncertainties remained about activity behind the scenes given Iran's many centers of power and that he counseled the Chinese government to take a "wait and see" approach. He said that clearly there was a struggle for power going on within the Iranian government, and the election and recount was only one aspect of this struggle. He reportedly advised caution over the possibility of increased friction between Ahmadinejad and the Revolutionary Guard, especially given the on-going protests that posed a potential threat to Ahmadinejad, the Supreme Leader's actions to distance himself from the president, and the disaffection in broader Iranian society with what the revolutionary system had become. He stressed the importance of a fair recount but expressed doubt that such an outcome was possible.

#### For China, and the U.S., the Less Said the Better

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16. (C) Yin recommended that his government "say nothing" on the unfolding situation and urged Russia and the United States to do the same. He stressed that the risks for China were particularly high given a history of suspicion in Iran

of Chinese motivations. Noting China's traditional foreign policy position of "hiding one's capacities and biding one's time" (taoguang-yanghui), Yin stressed to the PRC leadership that now more than ever China should avoid high-profile entanglement in Iran. Yin said he recounted in his report the history of former PRC leader Hua Guofeng, under whose leadership in 1978, China came to be seen by many Iranians as a supporter of the Shah, setting the stage for strong anti-Chinese sentiments after the revolution. Yin urged Chinese policy-makers to distance themselves from Ahmadinejad, at least in their public comments, to hedge against the risk that the Iranian president could emerge from the current turmoil in a weakened position.

#### Friends and Trouble-Makers in Iranian Leadership

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17. (C) In his report, Yin said he reminded policy-makers that Mousavi was an "old friend to China" given his efforts in establishing relations between Iran and China. Yin also stressed to Chinese policy-makers that Ahmadinejad was a "trouble-maker" who was problematic for China given the PRC's need to import energy from Iran, although he cautioned that the president still enjoys the support of Khamenei and the Revolutionary Guard. Still, he praised the MFA press statement of June 16, which sought to avoid projecting a sense of any Chinese preference for a particular outcome.  
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